

**Boparan Holdings Limited**

# 2 Sisters Food Group Q2 2019/20 Update

Bondholder Presentation

25<sup>TH</sup> MARCH 2020



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# Agenda

- 1 | COVID-19 Response
- 2 | Financial Summary
- 3 | Q2 Performance
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# BHL COVID19 Strategic Response

## Providing Employee Support

- Keep people safe
- Prevent the spread
- Contain
- Manage

## Meeting the needs of our consumers and exceeding expectations of our strategic customers

### Navigating Operational Disruption

- Handle operational disruption
- Ensure process continuity
- Mitigate potential procurement disruption

### Strengthen our reputation with key customers

- Pro-actively lead the response planning
- Prioritise strategic customers
- Work collaboratively with customers to meet strongly fluctuating demand

## Protecting our business

- Model potential impact on business EBITDA & Cashflow
- Protect and increase short term liquidity
- Work with suppliers, customers, governments & others to build a larger liquidity buffer





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## Key Headlines

1

Like-for-like earnings and margins double year-on-year

2

Substantial margin recovery across UK divisions

3

Proforma leverage has improved from 7.1x to 6.1x since Q1

# Year on year EBITDA margins double as turnaround accelerates

£m	Q2 19/20	Q2 18/19	YoY Change
Revenue <sup>1</sup> , £m	652.3	711.5	(8.3)%
EBITDA <sup>1,2</sup> , £m	30.2	21.1	+43.1%
LTM EBITDA <sup>2</sup> , £m	97.4	100.4	(3.0)%
Revenue LFL <sup>3</sup> , £m	652.3	655.7	(0.5)%
EBITDA LFL <sup>2,3</sup> , £m	30.0	14.2	+111.3%
EBITDA LFL Margin %	4.6%	2.2%	+240bps
LFL LTM EBITDA <sup>2,3</sup> , £m	97.6	67.1	+45.5%
Net debt <sup>4</sup> , £m	593.6	570.0	(4.1)%
Proforma Leverage	6.1x	7.4x	1.3x

## Q2 Performance overview

- Revenue declined due to disposals; Manton Wood, Green Isle Brands & Matthew Walker. LFL revenue decreased (0.5)%; +0.2% after adjusting for impact of the closure of Five Star Fish.
- LFL margin growth of +240bps with strong EBITDA improvements across all segments, predominantly UK Poultry.
- Proforma leverage 1.0x improvement quarter on quarter, with further improvements expected as turnaround actions annualise and new initiatives are executed.

1. Revenue and EBITDA exclude performance of Matthew Walker from May 2019 following derestriction.
2. EBITDA is stated before depreciation, amortisation and pension scheme administration costs.
3. Like for like (LFL) sales and EBITDA are adjusted for the impact of exchange translation and including only those businesses that were owned by the Restricted Group throughout both periods. Therefore, Q2 FY19 excludes the results of the disposed Manton Wood, Green Isle Brands and Matthew Walker businesses.
4. 18/19 Proforma Leverage calculated using reported EBITDA less Green Isle Brands and Matthew Walker

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# Poultry Q2 2019/20 Results

£m	Q2 19/20	Q2 18/19	YoY Change
Revenue LFL <sup>1</sup> , £m	448.0	452.1	(0.9)%
EBITDA LFL <sup>1,2</sup> , £m	15.4	4.9	+214.3%
EBITDA LFL Margin %	3.4%	1.1%	+230 bps
Revenue, £m	448.0	454.5	(1.4)%
EBITDA <sup>2</sup> , £m	15.4	4.9	+214.3%

## Poultry Performance overview

- LFL sales declined (0.9)%. Underlying LFL sales, excluding Fish +0.2%.
- LFL EBITDA growth £10.5m driven by UK Poultry
- Improvements in UK Poultry represent sustainable margin uplifts driven by; Witham closure, continuous improvement programs driving better conversion cost efficiency and yield management, improved carcass balance and mix, and a more efficient Christmas operations period
- European Poultry underperformed versus expectations due to low market prices on breast meat and avian flu impacting exports to China.
- Added Value factory in Poland being commissioned in Q2.

1. Like for like (LFL) sales and EBITDA are adjusted for the impact of exchange translation and including only those businesses that were owned throughout both periods. There were no disposals in the Poultry Segment in FY19 or FY20.
2. EBITDA is stated before depreciation, amortisation and pension scheme administration costs.

# Meals Q2 2019/20 Results

£m	Q2 19/20	Q2 18/19	YoY Change
Revenue LFL <sup>1</sup> , £m	145.2	145.9	(0.5)%
EBITDA LFL <sup>1,2</sup> , £m	10.7	7.9	+35.4%
EBITDA LFL Margin %	7.4%	5.4%	+200 bps
Revenue, £m	145.2	183.5	(20.9)%
EBITDA <sup>2</sup> , £m	10.9	12.2	(10.7)%

## Meals Performance overview

- LFL sales declined (0.5)% driven by focus behind core strategic customers.
- LFL EBITDA growth +35.4% in Core Meals driven by operational efficiencies, favourable mix and commercial initiatives.
- Christmas and Chinese New Year delivered in line with plan.
- Pennine closure on track to complete in May.

1. Like for like (LFL) sales and EBITDA are adjusted for the impact of exchange translation and including only those businesses that were owned throughout both periods. Therefore, Q2 FY19 excludes the results of the disposed Green Isle Brands and Manton Wood Sandwich businesses.
2. EBITDA is stated before depreciation, amortisation and pension scheme administration costs.

£m	Q2 19/20	Q2 18/19	YoY change
Revenue LFL <sup>1</sup> , £m	59.1	57.7	+2.4%
EBITDA LFL <sup>1,2</sup> , £m	3.9	1.4	+178.6%
EBITDA LFL Margin %	6.6%	2.4%	+420 bps
Revenue, £m	59.1	73.5	(19.6)%
EBITDA <sup>2</sup> , £m	3.9	4.0	(2.5)%

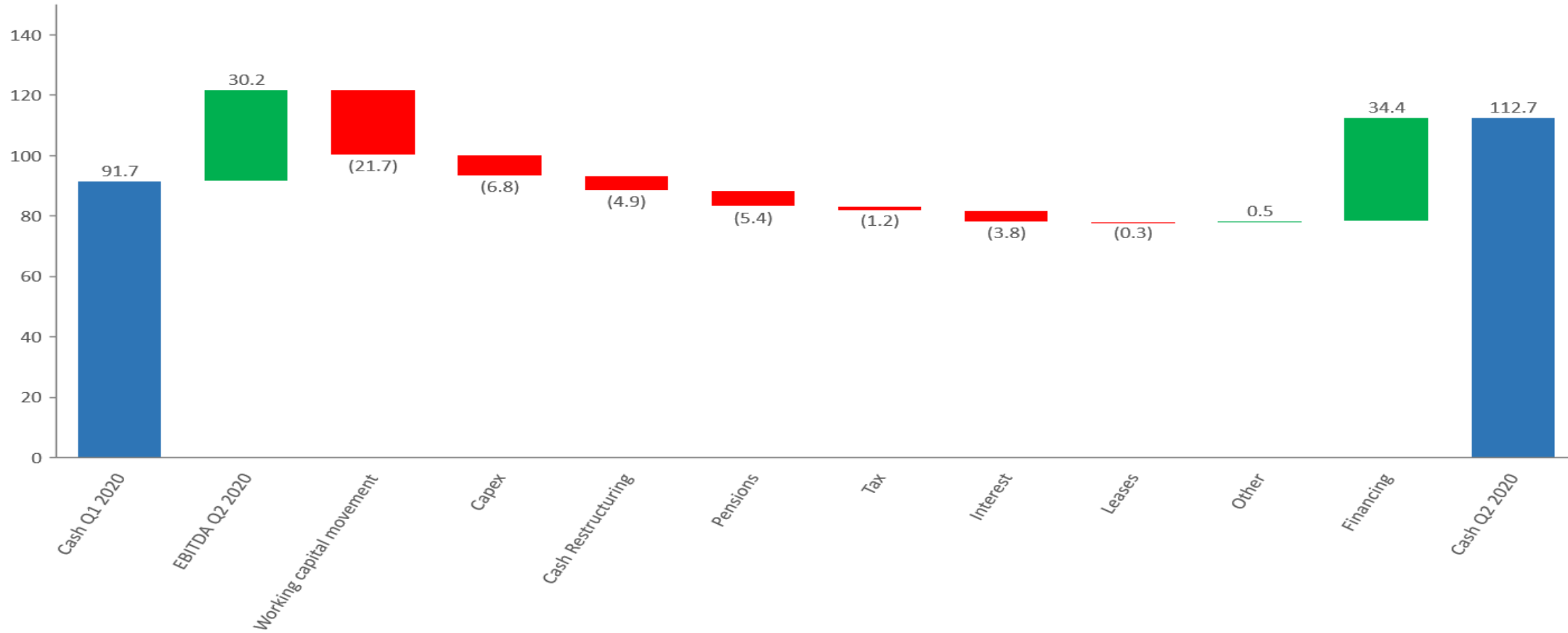
## Bakery Performance overview

- LFL sales growth of +2.4% despite some service challenges
- EBITDA improvements driven by;
  - Gross margin – improved volume and mix
  - Operational efficiency - CI drive
  - Cost reduction program - Uttoxeter restructure, distribution optimisation and overhead reduction
- Gunstones continues to perform in a build up to peak Easter trading producing more volumes than ever.

1. Like for like (LFL) sales and EBITDA are adjusted for the impact of exchange translation and including only those businesses that were owned throughout both periods. Therefore, Q2 FY19 excludes the results of the disposed Matthew Walker business.
2. EBITDA is stated before depreciation, amortisation and pension scheme administration costs.

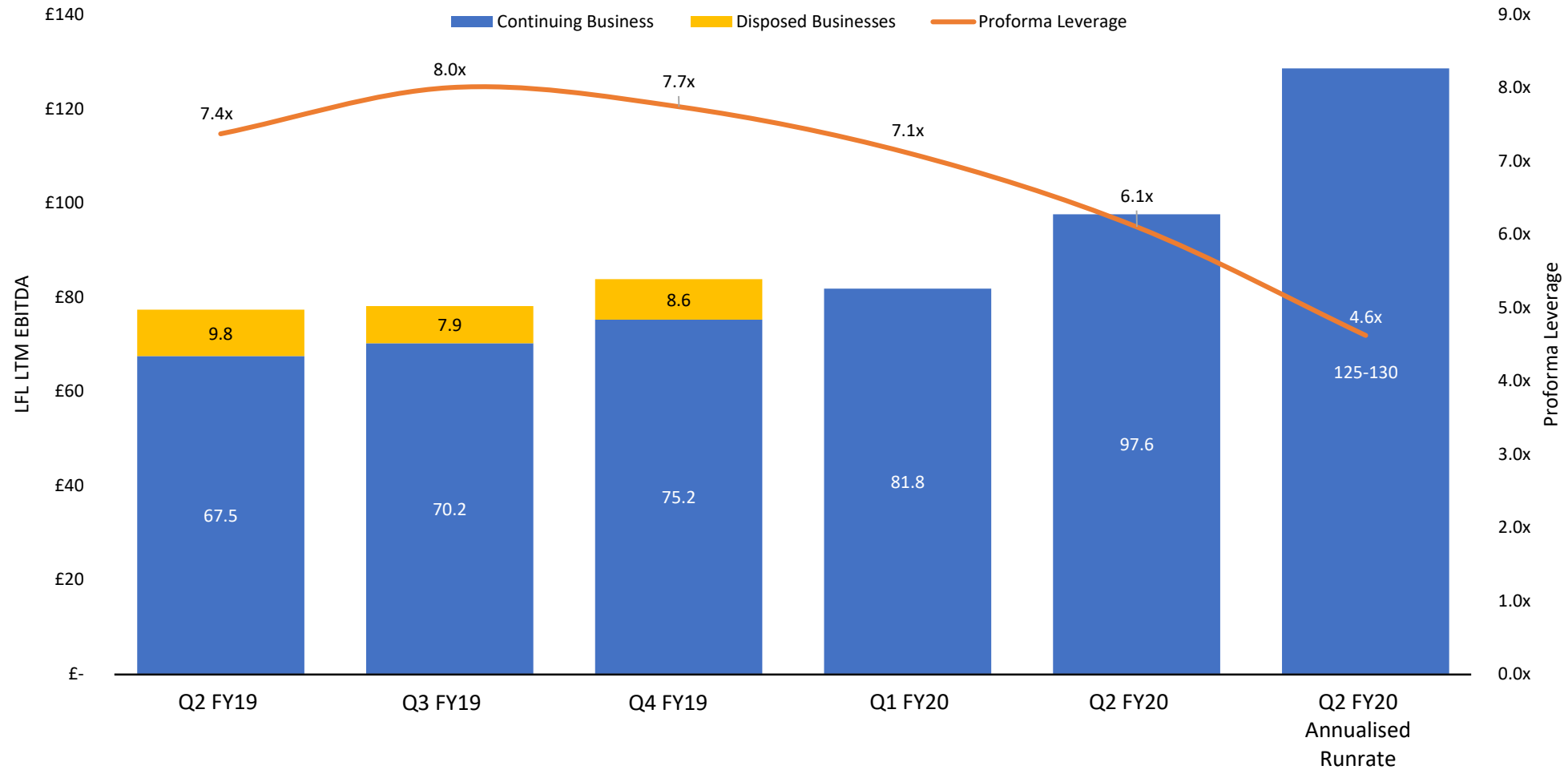
# Q2 2019/20 Cashflow

Cashflow, £m





# LTM EBITDA & Leverage Evolution





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# Our Poultry Plus Strategy is on track

1

**Focus on our core poultry businesses**

2

**Add value to and realise value from our non-poultry businesses**

3

**Increase operational effectiveness and efficiency**

4

**Build a high performance organisation and culture**

5

**Improve cash generation and margin**

# Outlook

1

Implementation of COVID-19 strategic response

2

Turnaround priorities; cost reduction and cash conversion

3

Preparations ahead of 2020 refinancing